



06004699

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response . . .	12.00

SEC FILE NUMBER	
8 -	52141

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Sidoti & Company, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

317 Madison Avenue, Suite 1400

(No. and Street)

New York New York 10017  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Peter Sidoti (212) 297-0001  
(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Rothstein, Kass & Company, P.C.

(Name -- if individual, state last, first, middle name)

4 Becker Farm Road Roseland New Jersey 07068  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions

PROCESSED

MAY 03 2006

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Peter Sidoti, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sidoti & Company, LLC, as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Peter Sidoti  
Signature

\_\_\_\_\_  
Chief Executive Officer  
Title

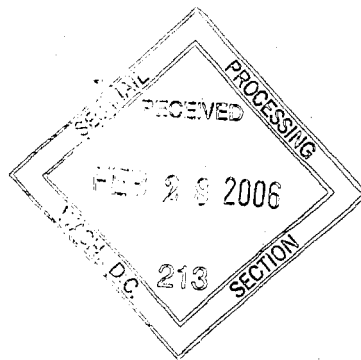
David J. Gold  
Notary Public

DAVID J. GOLD  
Notary Public, State of New York  
Qualified in Richmond County  
Registration: 02GO5082848  
Commission Expires: 7/28/09

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal accounting control.
- ☐ (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**SIDOTI & COMPANY, LLC**

**STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2005**

# **SIDOTI & COMPANY, LLC**

## **CONTENTS**

---

### **Independent Auditors' Report**

1

### **Financial Statements**

Statement of Financial Condition

2

Notes to Financial Statements

3-5

Certified  
Public  
Accountants

Rothstein, Kass & Company, P.C.  
4 Becker Farm Road  
Roseland, NJ 07068  
tel 973.994.6666  
fax 973.994.0337  
www.rkco.com

Beverly Hills  
Dallas  
Denver  
Grand Cayman  
New York  
Roseland  
San Francisco  
Walnut Creek

# Rothstein Kass

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member of  
Sidoti & Company, LLC

We have audited the accompanying statement of financial condition of Sidoti & Company, LLC as of December 31, 2005. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Sidoti & Company, LLC as of December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Roseland, New Jersey  
February 10, 2006

# SIDOTI & COMPANY, LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2005

### ASSETS

Cash and cash equivalent	\$ 6,677,287
Receivables from clearing brokers, including clearing deposit of \$150,000	683,020
Accounts receivable	158,464
Property and equipment, net	363,449
Other assets	<u>230,178</u>
	<u>\$ 8,112,398</u>

### LIABILITIES AND MEMBER'S EQUITY

#### Liabilities

Bonus payable	\$ 3,422,000
Commissions payable	775,325
Accounts payable and accrued expenses	<u>405,663</u>
Total liabilities	<u>4,602,988</u>

Member's equity	<u>3,509,410</u>
	<u>\$ 8,112,398</u>

# SIDOTI & COMPANY, LLC

## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of business and summary of significant accounting policies

Sidoti & Company, LLC (the "Company") is a Delaware limited liability company formed on March 1, 1999. The Company's principal business activity is performing financial research and analysis, acting as a broker-dealer of securities and engaging in investment and financing activities. In April 2000, the Company became a registered broker-dealer under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc. (the "NASD"). In addition, the Company is a member under the Ontario Securities Commission. The Company's sole member is Sidoti Holding Company, LLC, a Delaware limited liability company ("Holding, LLC").

#### *Cash and Cash Equivalent*

The Company considers an investment in a money market account to be cash equivalent.

#### *Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives as follows:

<b>Asset</b>	<b>Estimated Useful Lives</b>
Office equipment	3-5 years
Furniture and fixtures	7 years
Leasehold improvements	Lease term

#### *Revenue and Expense Recognition from Securities Transactions*

Securities transactions and the related revenues and expenses are recorded on the trade-date basis.

#### *Revenue Recognition from Research Income*

The Company records income from research services at the time the services are earned.

#### *Income Taxes*

The Company is a single member Limited Liability Company and, therefore, does not record a provision for federal and state income taxes. Accordingly, the Company's Parent reports the Company's income or loss on its income tax returns.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# SIDOTI & COMPANY, LLC

## NOTES TO FINANCIAL STATEMENTS

### 2. Property and equipment

Details of property and equipment at December 31, 2005 are as follows:

Office equipment	\$ 752,530
Furniture and fixtures	83,864
Leasehold improvements	<u>276,699</u>
	1,113,093
Less accumulated depreciation and amortization	<u>749,644</u>
	<u>\$ 363,449</u>

### 3. Commitments

The Company is obligated under various lease agreements for their office locations, which expire through December 2007. The leases contain escalation clauses based on increased costs incurred by the landlord. Rent expense under these agreements for the year ended December 31, 2005 was approximately \$672,000.

The approximate future minimum annual rental commitments under the terms of the leases, as of December 31, 2005, are approximately as follows:

<b>Year ending December 31,</b>	
2006	\$ 619,000
2007	<u>531,000</u>
	<u>\$ 1,150,000</u>

The Company is obligated under a license agreement to make payments for the use of a database management system aggregating \$115,000 in 2006 and \$60,000 in 2007. Data expenses under this agreement were approximately \$105,000 for the year ended December 31, 2005.

In December 2005, the Company signed a three-year operating lease agreement for a new phone system. The Company will be obligated to make thirty-six monthly payments of \$5,465 once the system is installed and operational, which is anticipated to be during the first quarter of 2006.



# SIDOTI & COMPANY, LLC

## NOTES TO FINANCIAL STATEMENTS

---

### 4. Net capital requirement

The Company, as a member of the NASD, is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005, the Company's net capital was approximately \$2,757,000, which was approximately \$2,450,000 in excess of its minimum requirement of approximately \$307,000.

### 5. Off-balance-sheet risk and concentrations of credit risk

Pursuant to its clearing agreements, the Company introduces all of its securities transactions to its clearing brokers on a fully disclosed basis. At December 31, 2005, the receivable from the clearing brokers represents commissions receivable earned as an introducing broker for the transactions of its customers. Under certain conditions, as defined in the clearing agreements, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company and must maintain, at all times, a clearing deposit of not less than \$150,000. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral in the securities transactions introduced by the Company.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company maintains its cash balances in a financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution.

### 6. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision of sub-paragraph (k)(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

### 7. Retirement plan

The Company has a retirement plan ("the Plan") under Section 401(k) of the Internal Revenue Code, which covers all eligible employees. The Plan provides for voluntary deductions of up to 20% of the employee's salary, subject to Internal Revenue Code limitations. In addition, the Company can elect to make discretionary contributions to the Plan. For the year ended December 31, 2005 the Company elected not to make a contribution.